CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 19, 2006

H.R. 4975

Lobbying Accountability and Transparency Act of 2006

As ordered reported by the House Committee on the Judiciary on April 5, 2006

SUMMARY

H.R. 4975 would amend the Lobbying Disclosure Act of 1995 and the Federal Election Campaign Act of 1971. Major provisions of the legislation would expand reporting requirements for lobbyists and Members of Congress, temporarily ban privately funded travel, create additional restrictions on gifts and travel, and require training for Members and staff on ethics issues. The legislation also would eliminate pension benefits for Members convicted of certain offenses. In addition, H.R. 4975 would require certain political organizations involved in federal election activities to register with the Federal Election Commission (FEC).

CBO estimates that implementing H.R. 4975 would cost about $2 million in fiscal year 2007 and $1 million a year in subsequent years, subject to the availability of appropriated funds. Enacting the bill would increase governmental receipts and direct spending from new violations of campaign finance laws, but CBO estimates that those effects would not be significant.

H.R. 4975 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 4975 would impose several private-sector mandates, as defined in UMRA, on the lobbying industry and certain political organizations. Based on information from government sources, CBO estimates that the total direct cost of all of the mandates in the bill would fall below the annual threshold established by UMRA for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4975 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION [a]					
Estimated Authorization Level	2	1	1	1	1
Estimated Outlays	2	1	1	1	1

a. Enacting the bill could also increase collections from civil and criminal penalties. Such penalties are recorded in the budget as revenues, and criminal penalties may later be spent. CBO estimates any resulting collections and spending would be less than $500,000 a year. The bill also could reduce pensions for certain Members of Congress, but CBO estimates any such savings in direct spending would also be less than $500,000 a year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2006 and that spending will follow historical patterns for similar activities.

Spending Subject to Appropriation

The legislation would expand reporting requirements for lobbyists and would require the Congress to provide Members and staff with additional training on ethics issues. Based on information from Congressional administrative staff, CBO estimates that Congressional offices and committees would spend about $1 million annually to collect and disseminate newly reported information from lobbyists and to provide the required ethics training.

In addition, H.R. 4975 would require certain political organizations, defined by section 527 of the tax code, to register with the FEC. Based on information from the FEC and subject to the availability of appropriated funds, CBO estimates that implementing the legislation would cost the FEC about $1 million in fiscal year 2007. This cost would cover one-time, computer-related expenses as well as writing new regulations to implement the new provisions of the legislation. In future years, the legislation would increase general administrative costs to the FEC, but we estimate that those additional costs would not be significant.

Revenues and Direct Spending

Enacting H.R. 4975 would likely increase federal revenues and direct spending as a result of additional civil and criminal penalties for new violations of campaign finance law. Collections of civil penalties are recorded in the budget as revenues. Collections of criminal penalties are recorded in the budget as revenues, deposited in the Crime Victims Fund, and later spent without further appropriation. CBO estimates, however, that any additional revenues that would result from enacting the bill would not be significant because of the relatively small number of cases likely to be involved.

H.R. 4975 also would deny pension benefits (based on periods of elected service) to Members convicted of bribery, acting as foreign agents, or defrauding the federal government. CBO estimates that any savings in direct spending as a result of this provision would not be significant because we expect that the number of violations would be small.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4975 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4975 would impose several private-sector mandates, as defined in UMRA, on the lobbying industry and certain political organizations. The bill would impose new restrictions on lobbying activities and require lobbyists and lobbying organizations to submit additional reports and disclosures to the Senate Office of Public Records and the Office of the Clerk of the House. The bill also would require certain 527 organizations to register as political committees with the Federal Election Commission and comply with current regulations on federal campaign finance. Based on information from government sources, CBO estimates that the total direct cost of all of the mandates in the bill would fall below the annual threshold established by UMRA for private-sector mandates ($128 million in 2006, adjusted annually for inflation).

The bill would impose several new requirements on lobbyists and lobbying organizations. Requirements on lobbyists and lobbying organizations would include but not be limited to:

- Electronic filing of lobbyist registrations and disclosure reports filed with the Secretary of the Senate or the Clerk of the House of Representatives;

- Quarterly, instead of semiannual, filing of lobbying disclosure reports;

- Additional information in registration and disclosure reports including information on contributions to Members, Congressional staff, federal officers and political entities by lobbyists; any gifts distributed by lobbying entities; and whether or not each registered lobbyist had prior experience as a covered executive or legislative branch official.

As of January 1, 2006, all lobbyists and lobbying organizations must register and file semiannual disclosure reports electronically to the Clerk of the House. However, electronic reporting is still optional for lobbyists and lobbying organizations filing in the Senate. Since all lobbyists must file similar reports to both the Clerk of the House and the Secretary of the Senate, the incremental cost of filing reports electronically to the Senate should be minimal. Generally, because such entities already collect the information requested in the registration and disclosure reports, CBO estimates that the incremental costs associated with the new reporting requirements in the bill would not be substantial relative to UMRA's annual threshold for private-sector mandates.

The bill also would prohibit lobbyists from traveling on an aircraft that is owned by a client and is not licenced by the FAA to operate for compensation if a Member, delegate, resident commissioner, officer or employee of the House is on board. According to government and industry sources, roughly 500 or less of those recorded flights are made each year. That estimate includes federal officials and staff from both the executive and legislative branches. H.R 4975 would only restrict the travel of a lobbyist with House officials and staff. The bill would not prohibit employees of the client from traveling on such planes with a Member, delegate, resident commissioner, officer or employee of the House. Thus, CBO estimates that the direct costs associated with complying with the mandate would be minimal compared to UMRA' s threshold.

The bill would change the definition of a political committee to include certain "527" organizations, as defined by section 527 of the Internal Revenue Code. Those organizations would be required to register as political committees with the FEC and comply with current regulations on federal campaign finance, including certain limits on contributions and reporting and disclosure requirements. Based on information from the FEC, CBO estimates that the direct costs associated with those requirements would be minimal.

PREVIOUS CBO ESTIMATES

Many of the lobbying reform and campaign finance provisions in the eight pieces of legislation listed below are contained in H.R. 4975. The differences among these bills are reflected in the cost estimates. However, the four versions of H.R. 4975 are very similar, and as such, their estimated costs are nearly identical.

- On April 19, 2006, CBO transmitted a cost estimate for H.R. 4975 as ordered reported by the House Committee on Government Reform on April 6, 2006.

- On April 19, 2006, CBO transmitted a cost estimate for H.R. 4975 as ordered reported by the House Committee on House Administration on April 6, 2006.

- On April 19, 2006, CBO transmitted a cost estimate for H.R. 4975 as ordered reported by the House Committee on Rules, on April 5, 2006.

- On March 7, 2006, CBO transmitted a cost estimate for S. 2349, the Legislative Transparency and Accountability Act of 2006, as ordered reported by the Senate Committee on Rules and Administration on March 1, 2006.

- On March 6, 2006, CBO transmitted a cost estimate for S. 2128, the Lobbying Transparency and Accountability Act of 2006, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on March 3, 2006.

- On July, 13, 2005, CBO transmitted a cost estimate for H.R. 513, the 527 Reform Act of 2005, as ordered reported by the House Committee on Administration on June 29, 2005.

- On July 6, 2005, CBO transmitted a cost estimate for S. 1053, the 527 Reform Act of 2005, as ordered reported by the Senate Committee on Rules and Administration on April 27, 2005.

- On June 17, 2005, CBO transmitted a cost estimate for H.R. 1316, the 527 Fairness Act of 2005, as ordered reported by the House Committee on House Administration on June 8, 2005.

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